

## **MARKETING**

Kenya has two coffee marketing systems: Central auction system and direct sale. Individual cooperative have option to sell clean coffee through direct market (second widow) without involving the marketing agents. The option is commonly favorable to the coffee cooperatives and union who have invested in a milling plant.

### **Central auction system**

The time-tested central auction system commonly referred to as Nairobi Coffee Exchange, is a market where licensed dealers buy coffee through competitive bidding. Coffee auctions are conducted every Tuesday. The coffee exchange is under the management of the Kenya Coffee Producers and Traders Association.

The Kenyan coffee is noted for its democratic auction system. In this system, samples of each lot are made available to bidders prior to a weekly auction. If a bidder (or the bidder's customers) is interested in a lot of coffee, they enter the auction for that lot. In this transparent auction, the highest bidder wins--no insider deals are cut. The result of this system is that generally the best quality lots of coffee command a higher price with the highest fetching prices being grade AA.

### **Direct sale**

A direct sale, commonly referred to 'Second Window', requires a marketing agent to directly negotiate with a buyer outside the country and a sales contract is signed and registered with the coffee board. The board registers the contracts after inspecting and analysing the coffee for quality and value.

There are two categories of marketing agents: Commercial Marketing agents who offers services for commercial purposes and grower marketers who are growers licensed to market their own coffee. Cooperatives and small growers are required to sell their coffee produce through licensed coffee marketing agent by coffee board of Kenya who sells the clean coffee through Auction in Nairobi coffee exchange (NCE.) the Auction takes place weekly during the season. The prices are dictated by new York price index and reserve price fixed by taste of the cup. Ideally the buyer focus on quality predominantly in the cup. The clean coffee is graded, packaged and sold in 60kg bag through.

Smallholder coffee farmers in Kenya have, for a long time, wanted to market their coffee directly to buyers overseas, and to create business relationships with their buyers, but lacked the necessary linkages to do so. This has now been addressed with the formation of KCCE as the farmers' vehicle to the international market.

The clean coffee is sold locally and through export to European, Latin America, US market. Other emerging markets such as China, Middle East.

### **Coffee Export**

Coffee is among the most important agricultural commodities in world trade. Like most other primary agricultural commodities, the market is characterized by oversupply, declining product prices and increased global competition among producing countries.

Kenya exports most of her coffee in bulk. However in the last decade companies have started adding value to their coffee through roasting and packaging under different company brands for the export market. Coffee exports account for approximately five percent of all exports from Kenya. The exporter has to be licensed to export coffee into external market.